

Iowa's Economic Development Efforts  
*focused*  
on Small Business  
by the Iowa Economic Development Authority

A Report to Governor Terry E. Branstad  
&  
Iowa's General Assembly  
September 15, 2011

## *Report Summary*

When Governor Branstad set forth his aggressive agenda with the goals of creating 200,000 new jobs, increasing family incomes by 25 percent and increasing exports by more than 25 percent, it was obvious that Iowa's small businesses would play an integral role in achieving them. Small businesses are the backbone of the state's economy, accounting for 51.3 percent of private sector jobs. Continued support for and a renewed focus on identifying the state's role in advancing small business is necessary to not only reach the Governor's goals, but also to improve Iowa's position for entrepreneurial development and innovation.

This report will overview the current landscape of small business – both in Iowa and around the country – and detail the current financial assistance programs available serving small businesses at the Iowa Economic Development Authority. The report will also highlight three key areas of concentration, emphasizing opportunities for future actions. And, finally, some possible recommendations for legislative action will be outlined for consideration.

## *Legislative Directive*

House File 590 creates the Iowa Economic Development Authority (Iowa EDA) as the successor entity to the Iowa Department of Economic Development (IDED). The legislation also directs Iowa EDA to provide a report by September 15, 2011 assessing the extent to which the agency's programs are assisting small business, meeting local economic needs and making recommendations for changes or improvements.

### **Section 9(7) (c) (1)**

On or before September 15, 2011, the authority shall submit a report to the governor and the general assembly assessing the extent to which each of the authority's programs can be used to provide assistance to small businesses and making recommendations for legislative changes to such programs in order to better and more intensively focus economic development efforts on such small businesses. The report shall also address the extent to which the authority's programs address local economic development needs and efforts.

# Current Landscape

## SMALL BUSINESS STATISTICS

Statistics published in February 2011 by the SBA Office of Advocacy illustrate the importance of small businesses to economic infrastructure of the nation and Iowa. Small businesses:

### Nationally

- Represent 99.7 percent of all employer firms
- Employ just over half of all private sector employees
- Pay 44 percent of total U.S. private payroll
- Generated 64 percent of net new jobs over the past 15 years
- Create more than half of the nonfarm private gross domestic product (GDP)
- Hire 40 percent of high tech workers (such as scientists, engineers, and computer programmers)
- 52 percent home-based and two percent franchise
- Made up 97.3 percent of all identified exporters and produced 30.2 percent of the known export value in FY 2007
- Produce 13 times more patents per employee than large patenting firms; these patents are twice as likely as large firm patents to be among the one percent most cited

### Iowa

- Represent 97.3 percent of Iowa's employers
- Totaled 261,262 business in 2008; of these 63,243 were employers, accounting for 51.3 percent of private sector jobs in the state
- The number of both women and minority business owners has grown, with minority-owned businesses numbered at 8,157 in 2007, a 48.6 percent increase over 2002
- In 2007 (the most recent data available) there were 66,238 women-owned firms in Iowa, this is 3.7 percent higher than 2002 when there were 63,821 and 15.1 percent higher than 1997 when there were 57,527
- Iowa's real gross state product increased by 2.1 percent and private-sector employment decreased by 3.7 percent in 2009 (By comparison, real GDP in the United States grew 0.7 percent and private-sector employment declined by 5.5 percent)

Small businesses face unique challenges such as accessing capital and coping with regulations while trying to grow their business. A study issued in March 2011 by the Federal Deposit Insurance Corporation (FDIC) "Lending by Depository Lenders to Small Businesses, 2003 to 2010" examines changes in the supply of small loans held by lending institutions and assesses the declines in small business loans.

**In Iowa, small business comprises 97.3 percent of the state's employers, accounting for 51.3 percent of private sector jobs. The majority of Iowa's businesses (52 percent) employ one to four employees (US Census Bureau's County Business Patterns 2009).**

The report finds that "perhaps of most concern is the further decline in two key ratios: small business loans to total assets and small business loans to total business loans. Small business loans constituted about 16.8 percent of total assets in 2005, but only 15.3 percent in 2010; hence, small businesses are less successful in competing against other uses of the capital held by these institutions. Small business lending is also losing business loan market share. The small business share of total business loans declined from 81.7 percent in 2003 to 68.9 percent in 2010."

In September 2010, the SBA Office of Advocacy reported on its most recent research conducted on the costs of federal regulations on small business. Small businesses that are subject to certain federal regulations bear a disproportionate cost of federal rulemaking.

**Federal regulatory costs have increased from the level established by 2005 research, resulting in about a 36 percent difference between the costs incurred by small firms when compared with their larger counterparts.**

# *Comparative Rankings for State Entrepreneurialism*

Various organizations develop comparative rankings of a state's economic competitiveness and entrepreneurial climate for small business. Two of the more recent rankings for Iowa run the gamut from an improved status to a lackluster standing.

The Kauffman Index of Entrepreneurial Activity for the period between 1996 and 2010 was released in March 2011. The Kauffman Index measures the rate of business creation at the individual business owner level. The 2010 Kauffman Index ranked Iowa as 27 moving up from its 2009 standing of 45. Although the Kauffman Index finds that entrepreneurship has been on the rise across most of the states (as a response to decreased hiring by employer firms) it does not specifically address, however, the reasoning behind Iowa's improved ranking.

The Small Business and Entrepreneurship (SBE) Council publishes the "Business Tax Index" to rank the states from best to worst in terms of costs of their tax systems on entrepreneurship and small business. This index pulls together 18 different tax measurements and combines them into one tax score for ranking and comparing the states and the District of Columbia. The Business Tax Index 2011 places Iowa at 48th.

Several studies on the status of women-owned businesses also gives us insight into the overall climate. According to the U.S. Census Bureau Survey of Business Owners, 25 percent of Iowa's businesses are owned by women. Across the country, the percentage of women-owned businesses ranges from 22 percent to 34 percent, with the majority of states falling between 25 percent and 28 percent.

In spring 2011, American Express released its first study of women-owned businesses, "The Status of American Express OPEN State of Women Owned Businesses Report, A Summary of Important Trends, 1997-2011". American Express' estimates for the number of women-owned firms, their percentage changes, and future growth projections for the 50 states and District of Columbia are estimates based on data extrapolated from the U.S. Census Bureau Survey of Business Owners data and state's growth in GDP. The report ranked Iowa at 49th in "Growth of Number of Women-Owned Firms" and 51st in "Growth of Revenues of Women-Owned Firms".

## **Defining a Small Business**

The federal Small Business Administration's (SBA) general definition of a small business is a firm with less than 500 employees that is independently owned and operated, organized for profit, and is not dominant in its field. For specific industries SBA uses "standard size eligibility" for a firm to be considered a small business to participate in certain federal programs, such as for contracting opportunities. SBA size standards for an industry include factors such as the average number of employees for the preceding 12 months or sales volume averaged over a three year period.

SBA's Office of Advocacy advocates for small business in the federal government and reports key indicators on how small businesses are faring nationally. For research purposes, they use SBA's general definition and further refine it as an independent firm having fewer than 500 employees. It is important to note most small business workforces are far smaller than 500 employees. For example, of the 119.9 million nonfarm private sector workers in 2006, small firms with fewer than 500 workers employed 60.2 million, and firms with fewer than 20 employees employed 21.6 million or 35 percent of this total.

# Existing Financial and Technical Assistance Programs Offered by the Iowa Economic Development Authority

Iowa EDA financial and technical assistance programs have significantly assisted small and medium sized businesses in Iowa. Information specific to each program and the participation of small and medium-sized firms in these programs is reflected below:

This group has received the greatest number of awards, 209, or 29 percent of the total of awards.

## DIRECT FINANCIAL ASSISTANCE

Established in 2003 and operating through June 2010, the Grow Iowa Values Fund (GIVF) has provided direct financial assistance to 717 businesses. For tracking purposes Iowa EDA has generally used the following categories to define employer categories: Small (0 to 100 employees), Medium (101-499 employees) and Large (500 or more employees). Several programs under the GIVF require a job retention or job creation requirement, commonly referred to as "awarded jobs" which is the number of jobs a business pledges to create. A business must create these jobs or be subject to a reduction in the final amount of assistance made or return monies awarded back to the state.

Based on these categories, 541 awards or 75 percent of total awards went to small and medium sized businesses. The 541 awards made represent 20,187 total jobs awarded or about half of the total 45,987 awarded jobs.

Awards by Size of Firm		Awarded Jobs
Small	390	11,150
Medium	151	9,037
Large	176	25, 800

Further breakdown of awards by size of firm is reflected below.

## Stratification of Awards by Size of Firm

Size (Employees)	Number of Awards	Awarded Jobs	Capital Investment	Capital Investment per Job	Capital Investment per Project
1-20	209	4,846	\$3,303,481,307	\$681,692.39	\$15,730,863.37
21-50	83	2,750	\$2,072,821,459	\$753,753.26	\$24,973,752.52
51-100	53	2,208	\$278,713,273	\$126,228.84	\$5,258,741.00
101-250	96	3,945	\$1,684,093,456	\$426,893.14	\$17,542,640.17
251-500	64	4,160	\$1,179,993,474	\$283,652.28	\$18,437,398.03
501-1000	36	4,873	\$489,076,658	\$100,364.59	\$13,585,462.72
Over 1000	143	22,338	\$5,472,437,198	\$244,983.31	\$38,268,791.59
Unknown size	32	867	\$1,316,936,393	\$1,518,957.78	\$41,154,262.28
<b>Total</b>	<b>717</b>	<b>45,897</b>	<b>\$15,797,553,218</b>		

Small businesses employing one to four employees represent the majority of businesses within Iowa (U.S. Census Bureau County Business Patterns 2009). This group has received the greatest number of awards, 209, or 29 percent of the total of awards. This represents almost 5,000 awarded jobs. Large employers created the highest number of awarded jobs, 27,211. A more compelling measurement than the "number of awards" is the "capital investment" per awarded job made by a company. In this category, companies employing a workforce of 21 to 50 employees are making the greatest impact, with the smallest sized employers close behind.

## **SPECIFIC TO SMALL BUSINESSES**

Three programs focus specifically on start-up businesses which tend to be small businesses. These programs do not have a job creation requirement and include the Demonstration Fund, Entrepreneurial Component, and Loan and Credit Guarantee Fund.

### **Demonstration Fund**

Established in July 2007, this program may provide up to \$150,000 to encourage commercialization activities by small and medium-sized Iowa companies in advanced manufacturing, biosciences, and information technology industries. The fund is designed to encourage product refinements, market planning and market entry activities of unique products. This program does not have a job creation requirement. Seventy eight awards have been made between July 2007 and June 2010.

### **Entrepreneurial Component (EC)**

Established in 2003, this program may provide up to \$250,000 in direct assistance to start up companies for working capital, equipment purchasing power, or to leverage traditional financing. Originally established as the Entrepreneurial Ventures Assistance (EVA) program it was later incorporated into the GIVF. This program does not have a job creation requirement. Fifty three awards have been made to date.

### **Loan and Credit Guarantee Fund (LCG)**

Established in 2003 the LCG is to create incentives and assistance to increase the flow of private capital to targeted industry businesses and other qualified businesses, to promote industrial modernization and technology adoption, to encourage the retention and creation of jobs, and to encourage the export of goods and services sold by Iowa businesses in national and international markets. Seven awards have been made to date.

### **Iowa EDA Partners with Google**

Reports indicate that while 97% of people research local products and services online, 59% of small businesses in Iowa do not have a website. As a result when the Iowa EDA and other state entities were approached by Google to host a series of events statewide in September 2011 to help small business owners obtain a free website and assist Iowa businesses in establishing an online presence, the Iowa EDA gladly accepted. The events, led by Google and held state-wide, were dedicated to driving economic growth by providing local Iowa businesses the tools and resources to get online and grow and expand by providing a free and easy-to-build professional website, a free customized domain name and hosting for one year, a local business listing on Google Places, free tools, resources, and trainings.



## ALL OTHER IOWA EDA FUNDS

### **Community Economic Betterment Account (CEBA)**

CEBA was developed to increase the employment opportunities for Iowans by stimulating economic activity in the state by providing loans and forgivable loans to companies to create new jobs or retain existing jobs. Companies receiving CEBA funds were required to pay 100 percent of the county average wage or 100 percent of the regional average wage, whichever was lower.

### **Value Added Agriculture Program (VAP)**

The purpose of this program was to increase the use of agricultural commodities produced in Iowa by assisting new and innovative value-added agricultural businesses, renewable fuel facilities, biomass and alternative energy as well as organic and emerging markets.

### **Enterprise Zones (EZ)**

These are economically-depressed areas in which state and/or local tax benefits are available to businesses and developers who make new investments, create or retain jobs and build or rehabilitate housing in those areas. Businesses locating or expanding in an Enterprise Zone may receive property tax exemptions, funding for employee training, sales tax refunds, Iowa income tax credits, or other tax incentives.

### **High Quality Jobs Credit (HQJC)**

This program is designed to promote creation or retention of quality jobs by assisting businesses locating, expanding or modernizing their facilities in Iowa through a package of tax credits, exemptions, and/or refunds to approved businesses. Company deliverables include job investment, wage and benefit requirements.

### **Economic Development Set Aside (EDSA)**

Assistance is provided to encourage new business start-ups, expansion of existing businesses and/or the relocation of out-of-state businesses into Iowa. Assistance may be provided in the form of direct loans or forgivable loans. If certain requirements are met under direct loans, the local government may retain repayments to capitalize revolving loan funds. Priority is given to projects that will create manufacturing jobs, add value to Iowa resources and/or increase exports out of state.

### **Physical Infrastructure Assistance Program (PIAP)**

This program has provided financial assistance to a business or community engaged in a physical infrastructure project that will provide the foundation for the creation of jobs and involves the investment of a substantial amount of capital. This may include projects deemed to be physical infrastructure by the department.

### **Disaster Recovery Components (DRC)**

Established in response to 2008 floods in Eastern Iowa, DRC provides direct financial assistance to companies affected by the disaster to assist with recovery and growth.

### **Infrastructure Component Program (IC)**

This program was part of the GIVFAP and replaced PIAP to financially assist capital intensive infrastructure projects that create unique opportunities for quality, high wage jobs and demonstrate a statewide project. Iowa communities and new or existing businesses are eligible.

### **Iowa Values Fund (IVF)**

Established in 2003, the program was subsequently replaced by the current GIVF. Direct financial assistance provided through the program (before it was replaced) is reflected for tracking purposes.

### **New Capital Investment Program (NCIP)**

This program was eventually replaced by the HQJC. It awarded tax incentives to companies making significant investments in the state and high quality jobs. Total amount awarded was based on number of qualified jobs and size of investment.

### **New Jobs and Investment Program (NJIP)**

This program was also replaced by the HQJC. It provided incentives like the NCIP and used the same criteria.

## Awards Made to Small and Medium Businesses June 2003 through July 2010

CEBA:	134	HQJC:	72	NCIP:	29
VAP:	74	EVA:	53	PIAP:	21
EZ:	73	EDSA:	43	All Others:	42

Seventy percent of CEBA awards were to small and medium size businesses seeking to modernize or update their equipment; a quarter went to large business under this program. The remaining total awards were broken out among the various other programs, often based on the size of employer. VAP, EZ, and HQJC were 13 percent

of the small business awards, respectively. In comparison, large businesses utilized VAP only three percent, EZ - nineteen percent, and HQJC almost twenty four percent. More large businesses used HQJC and EZ tax incentives while small businesses were spread out between the programs equally. Small businesses used EC/EVA for about ten percent of awards a program which large businesses are not eligible for.

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## Direct Financial Assistance and Tax Incentive Awards June 2003 through July 2010

	Number	Jobs	Direct Financial Assistance Awarded	Tax Incentives Awarded	Capital Investment	Capital Investment per Job
1-20	210	4,846	\$39,650,250	\$220,564,732	\$3,303,481,307	\$681,692.39
21-50	83	2,750	\$25,600,100	\$150,054,918	\$2,072,821,459	\$753,753.26
51-100	53	2,208	\$17,280,500	\$19,352,218	\$278,713,273	\$126,228.84
101-250	96	3,945	\$22,915,650	\$126,843,181	\$1,684,093,456	\$426,893.14
251-500	64	4,160	\$19,511,500	\$49,905,234	\$1,179,993,474	\$283,652.28
501-1000	36	4,873	\$17,857,250	\$32,406,389	\$489,076,658	\$100,364.59
Over 1000	143	22,338	\$94,100,815	\$309,698,026	\$5,472,437,198	\$244,983.31
Unknown size	32	867	\$10,540,851	\$77,097,646	\$1,316,936,393	\$1,518,957.78
Total	717	45,987	\$247,456,916	\$985,922,344	\$15,797,553,218	



## TECHNICAL ASSISTANCE AND SPECIALIZED SMALL BUSINESS PROGRAMS

In addition to direct financial assistance and tax credit assistance other Iowa EDA programs assist small business through technical assistance to develop and grow their businesses.

### ► **Iowa Small Business (ISB) Loan Program**

In 2010 the General Assembly created the Iowa Small Business Loan Program. The ISB operated for an eight month period from August 1, 2010 to March 31, 2011 to assist eligible small businesses to become more competitive. The ISB received 54 applications during the program; 42 applications or 78 percent were funded. Total loan funds obligated are \$1.6 million, local funds leveraged via co-financing \$1.7 million, with a total new business financing investment of \$3.4 million.

### ► **State Small Business Credit Initiative (SSBCI)**

The SSBCI was created by the Small Business Jobs Act of 2010 to increase the amount of capital made available by lending institutions to small businesses. Iowa's SSBCI application was developed by a committee of stakeholders including the Iowa Bankers Association, Community Bankers Association, Iowa Division of Banking, Iowa Business Growth Corp., Iowa Micro Loan, and the Iowa Innovation Council. Iowa was approved for \$13.2 million from the U.S. Treasury to implement programs in Iowa. Funds will be distributed through three programs, including \$5 million dollars through the Iowa Capital Access Program (ICAP), \$5 million dollars through the Iowa Demonstration Fund, and \$3.2 million through the Iowa Small Business Loan Program.

### ► **Targeted Small Business Program**

The Targeted Small Business (TSB) program provide loans up to \$50,000 to Iowa businesses that are at least 51 percent owned and actively managed by minorities, women, or persons with disabilities. It bridges the financing gap faced by small businesses, providing resources for a certified business unable to secure a traditional bank loan (such as for the full amount needed) due to a lower credit score or because it's a new start-up business. Financing is not tied to job creation. It is the only program specifically available for service or retail industries. There are currently 622 certified businesses. From July 1, 2008 to June 30, 2010, 75 percent of loans made were to women-owned certified businesses. Since fiscal year 2008, 69 awards have been made, totaling \$2,046,537.

Certified businesses have a procurement advantage in doing business with the state of Iowa. Statutorily, state agencies are required to establish a numerical spending goal each fiscal year for making purchases with certified businesses. In fiscal year 2010, over \$37 million dollars in business was purchased with TSBs. Agencies may also directly enter into a purchase with a certified business if the bid is under \$10,000. Secure access to the state's bidding opportunities is made available 48 hours in advance to certified businesses before other businesses. Comprehensive program marketing is done in a variety of ways including quarterly newsletters, special programs and webinars, advertisements, workshops, conference sponsorships and outreach across the state.

## **Iowa Student Internship Program**

The Iowa Student Internship Program provides grants to small and medium sized companies in the areas of advanced manufacturing, biosciences, and information technology industries with the objective of transitioning the interns to full-time employment in Iowa upon graduation. Eligible businesses must employ 500 or fewer and have a significant portion of their workforce employed in Iowa. Participating business agrees to pay an intern at least twice the minimum wage. Internships must be offered to students of Iowa community colleges, private colleges, regent universities or to students who graduated from an Iowa high school and attended a college or university outside of the state (an eligible student must be within one to two years of graduation).

Interns participating in the program over the past four years include 638 students with 297 participating companies (companies may apply every year). Forty six percent of businesses participating have employed 50 or fewer employees, 24 percent have employed 50 to 100 employees, and 30 percent of the businesses have employed a workforce of 100 or more employees.

## **International Trade Office**

Ninety-five percent of the world's consumers live outside the U.S., representing 70 percent of the world's purchasing power. The International Trade Office assists Iowa companies with developing and expanding these international markets for their products and services. The office works in partnership with Iowa EDA offices and representatives in Germany, Japan, Mexico and China. The majority of companies assisted are small to medium sized companies.

Extensive technical assistance and outreach is completed in a number of ways, ranging from one-to-one consultation, in-house training, seminars, and trade missions, just to name a few. For example over the last three years, company specific, in-house training was provided to 20 Iowa companies, all employing workforces of 250 or fewer employees. Directories on existing Iowa businesses which export or are interested in exporting, along with service companies who provide services for those exporters are available online and marketed internationally. Timely newsletters and emails providing information on various subjects such as global marketing opportunities, finance, compliance, and industry specific studies have been provided to 2,983 companies.

Financial assistance is available to Iowa companies desiring to use international trade shows and trade missions to enter new markets. The Export Trade Assistance Program (ETAP) may reimburse a qualified company up to 75 percent of their eligible expenses, up to a cap of \$3,000 per qualified event. In fiscal year 2011, 35 companies received financial assistance under ETAP. All participating companies employed workforces of 200 or fewer employees, with 63 percent having 50 or fewer employees. The total amount of ETAP funding these particular companies have leveraged over the years is more than \$1 million.

The International Trade Office has applied for a federal State Trade and Export Promotion Grant (STEP) to increase the number of Iowa small businesses exporters and the value of exports product. If awarded, STEP funding will augment the ETAP and create a domestic trade assistance program and product adjustment financial program.



## **Regulatory Assistance**

The Regulatory Assistance Programs helps individuals, small business and industry with access and responsiveness to requests for assistance from state government. Assistance is provided with identifying regulatory and environmental permitting, meeting timing considerations for economic development projects, finding expertise and help. Consultations for regulatory issues or assistance are confidential. Informational workshops, events and conferences dealing with environmental and regulatory issues have been attended by over 900 businesses or municipalities over the past five years. Annually the program provides approximately 2,000 technical assistance contacts with the majority of assistance delivered to small and medium sized businesses.



## **Business License Information Center**

The Business License Information Center is an online clearinghouse of resources to assist existing and new businesses with identifying regulatory requirements applicable to a specific business or profession. In addition to helping streamline the information search for compliance requirements, it connects the customer with information and resources on planning, registering, maintaining and growing a business. The center is often the first contact an individual interesting in starting a business will make with the state of Iowa. The prospect qualification center also frequently is a first point-of-contact for many people with questions regarding the state of Iowa. On average about 300 calls and emails per month or 3,600 inquiries annually, are received by the center and PQC. Generally speaking, requests for assistance cover four primary areas, licensing requirements, financial assistance, registration, and business planning. Over 90 percent of service provided is to small businesses with 50 employees or fewer.



## **Workforce Training Program**

The Iowa Industrial New Jobs Training Program (NJTP) provides new employee training to businesses that are expanding their Iowa workforce. Implemented by Iowa 15 community colleges, the program is primarily assisting small and medium size firms. 51 percent of new jobs created as a result of business expansions incited by the NJTP for the period of fiscal year 2008 to fiscal year 2010 were with businesses employing 100 or fewer employees.

## COMMUNITY DEVELOPMENT

Community Development Division programs work with communities and businesses to develop vibrant, attractive communities and to sustain and grow their economic base.

### ► **Main Street Program**

The Main Street Program is a proven program assisting designated Main Street District communities to strengthen their existing economic assets while diversifying the economic base. By retaining and expanding successful businesses, a community achieves a balanced commercial mix, sharpens the competitiveness and merchandising skills of business owners and attracts new businesses the market can support. Converting unused or underused commercial space into economically-productive property also helps boost the profitability of the district and increases the tax base. The Main Street process utilizes four primary strategies using a variety of tools such as data collection, evaluative analysis and the involvement of community leaders, just to name a few.

Assessment enables a community to become fully aware of its existing market conditions; through this information a community can effectively identify the best tactics to deploy for business retention and expansion. The complementary component of retail recruitment (which requires a different approach than is used for industrial or manufacturing recruitment) is most effective when supported by training and technical assistance. Finally, real estate development encompasses all three strategies and is most successful when the needed stakeholders and broad based community support are in place.

The economic impact of designated Main Street districts is clear. Since 1986, the private sector has invested over \$1 billion in designated districts resulting in the employment of 11,186 Iowans and 3,578 new and expanded businesses. Every \$1.00 in tax dollars invested in the program has a commensurate private sector investment of \$79.00 in Main Street buildings.

### ► **Iowa Green Streets Program**

The Green Streets Program works with local units of government to have vibrant, attractive communities and with businesses to maintain a competitive edge through energy efficiency and conservation. Businesses assisted by the program are typically small firms employing 50 or fewer employees. A variety of initiatives and funding sources are assisting small businesses statewide, such as Community Development Block Grant (CDBG) resources helping small businesses restore building facades across Iowa. This results in lower operating costs, improved property values, and building stabilization.

In West Union, Iowa 60 properties (primarily small business) are anticipated to lower utility costs by at least 30 percent. One-time funding provided by the General Assembly has resulted in more than 120 small businesses receiving energy audit services with 35 businesses implementing energy savings improvements this fall. A USDA Rural Community Development Initiative Grant has helped train small businesses to market vacant and under utilized downtown space and to implement energy savings. Sustainable Community Development funding of \$500,000 has leveraged more than \$14 million in other funding to build local capacity for economic development.

## **Brownfield and Grayfield Redevelopment**

The Iowa Brownfield/Grayfield Redevelopment Tax Credit helps revitalize non-productive property. Under the program's definitions: a brownfield property has real or perceived environmental contamination; a grayfield property is under utilized and at least 25 years old experiencing chronic vacancy or with an assessed value negatively impacting redevelopment. An eligible brownfield may receive up to a 24 percent tax credit on qualifying costs, and up to 30 percent if it meets the requirements of a green development. An eligible grayfield may receive up to a 12 percent tax credit on qualifying costs and up to 15 percent if it meets requirements of a green development.

Established in 2008 and effective January 1, 2009 through June 30, 2010, up to \$1 million in tax credits was made available. The program funded 14 projects, all of which were small businesses employing 100 or fewer employees. Contracts executed for the projects represent a total combined budget of \$17.7 million in private sector reinvestment. Retroactive to January 1, 2011, the General Assembly approved that up to \$5 million dollars in tax credits may be available annually, with a maximum tax credit per project capped at \$500,000.

# Opportunities for Future Action

Many small to medium-sized businesses in Iowa have benefitted from the wealth of existing technical and financial assistance programs that have been available over the years, however more coordination and outreach could further small business development in the state.

The 2010 State New Economy Index by the Kauffman Foundation emphasizes the need for states to be focused on “win-win” strategies harnessed to innovation-based growth. Knowledge jobs, globalization, economic dynamism, transformation to a digital economy and technological innovation capacity are specifically singled out as components of the “new economy.” In an era of fiscal constraint, states are urged to “work creatively to spur innovation on a budget.” Three principles of “innovation-based economic development 101” constitute a focus on businesses that export goods or service out of the region, innovation, value-added, the wage level of jobs, and an acknowledgement that a state’s economic future depends on entrepreneurship.

Three principles of “innovation-based economic development 101” constitute a focus on businesses that export goods or service out of the region, innovation, value-added, the wage level of jobs, and an acknowledgement that a state’s economic future depends on entrepreneurship.

The summary below address three key areas for recommendation future action:

## ENTREPRENEURIAL MARKETING AND TOOL KIT OF RESOURCES

House File 590 directs Iowa EDA to provide a focal point of assistance for small business and entrepreneurs through the position of a small business administrator. Moving forward, dedicated funding to sustain this position and its affiliated activities is advised.

The Small Business and Entrepreneurial Coordinator position is established to serve small businesses and entrepreneurs, assisting with identifying the best fit of resources for their needs, streamlining Iowa EDA program operations, and acting as an effective partner-related organization serving the entrepreneurial community.

## Recommendations

- Deliver comprehensive marketing by integrating existing successful outreach efforts across applicable program areas
- Establish a web-based, online tool kit of financial, technical and capacity building resources for small businesses and entrepreneurs
- Develop entrepreneurial publicity and online reading materials on Iowa EDA website
- Utilize inspirational speaker series, webinars, networking and creative events for entrepreneurs
- Train staff (who often are first point of contact for entrepreneurs seeking to start a business) to provide appropriate referrals and resources
- Work with Connect Iowa to educate key small business and business start-up organizations on nexus between broadband deployment availability and access for supporting a vibrant entrepreneurial climate
- Partner with the Iowa Innovation Corporation to support tech transfer and commercialization



## **ASSISTING LOCAL ECONOMIC DEVELOPMENT ORGANIZATIONS**

The 2006 Battelle Report “Strengthening the Entrepreneurial Support Infrastructure” identifies a number of positive factors Iowa offers to support entrepreneurs, including that the state has a number of programs available to assist small business, and that entrepreneurs generally give the programs high marks in terms of assistance received. The report notes, however, “the large number of programs with limited resources and the sheer number of service providers make it confusing for entrepreneurs.”

Effectively assisting local economic development organizations requires understanding the needs of entrepreneurs and small businesses in the particular community or region of the state served by these organizations. What works in one area, may not work as well in another. Working with local organizations to solicit feedback from entrepreneurs and small businesses can help identify how Iowa EDA can most effectively be of assistance and illuminate potential best practices to assist both the organizations and the entrepreneurial community.

### **Recommendations**

- Determine most effective way of identifying the needs of local economic development organizations (whether through surveys, targeted regional outreach, or some combination thereof)
- Solicit feedback, report back on findings and identify best practices to serve these needs

## **LINKING ENTREPRENEURS WITH RESOURCES**

An end goal is to link small businesses and entrepreneurs to the talent and expertise offered by resource organizations – driven by where the entrepreneur is at in the business life cycle (pre-seed, start-up, growth, established, expansion or mature). This requires understanding the current “assistance infrastructure” including where needs are being met and where gaps exist, and then identifying how to close these connection and knowledge gaps.

### **Recommendations**

- With an ad-hoc advisory group identify a comprehensive list of small business resources and entrepreneurial resources by name, core service and region to identify “current state” of resources
- Identify how entrepreneurs are attracted, and when entrepreneurs are misdirected or need to go to another organization for service in order to understand gaps in service or overlaps
- Use information to identify “desired state” to support efficient connections between entrepreneurs and resources
- Develop sustainable information delivery mode that features: accessibility, most recent content, digestible information and interactivity
- Form overarching informal alliance for all resource organizations that delivers support to new and existing businesses, requires membership, adheres to guidelines, promotes “one voice” for publically-supported resources, and provides visibility for private sector resources

## LEADERSHIP AND THE INNOVATION CATALYST

Entrepreneurial leadership acts as a catalyst to the business environment, helping prompt new ways of thinking and introducing new ideas and behaviors. Actively interfacing and working with small businesses and entrepreneurs from start-up to their sustained business growth requires concerted outreach that focuses on networking, building connections and capacity.

### Recommendations

#### ***Encourage an Increase in Entrepreneurial Spirit***

- Promote regular communications with key service networks involved with entrepreneurial support
- Develop entrepreneurial publicity and on-line reading materials at Iowa EDA website
- Utilize inspirational speaker series, webinar, networking and creative events for entrepreneurs

#### ***Encourage Would-Be Entrepreneurs with Skill Building***

- Business plan templates (membership only) including financial, marketing and related forms
- Chat, social media/blog and resource lists with experienced professionals
- Introductory services to connect entrepreneurs who need to be connected with resources
- Inspirational speakers, networking events for entrepreneurs and service providers
- Encourage creative space and events for entrepreneurs (incubator, idea spaces, innovation accelerators)
- Business plan awards (to increase new starts)
- Financial incentives for patent creation
- Incentives for strategic alliance agreements developed in Iowa

#### ***Encourage Entrepreneurs to Start a New Business***

- Technical assistance for product development
- Financial assistance for product development
- Technical and financial assistance for marketing
- Website creation assistance
- Getting the “nuts and bolts” in place – business infrastructure
- Getting organized – business skill building
- Financial assistance for incorporation
- Legal assistance for trademark
- Connect entrepreneur with resources and support network

#### ***Get the Entrepreneur Going and Growing***

- Assistance in software setup
- Finding bank/angel/grants
- Venture Network of Iowa process
- Marketing assistance
- Building support network
- Building advisory board
- Second round financing
- Site selection – scale up financing
- Motivational speakers
- Skill building
- Leadership training
- Organization / speaker series / networking for entrepreneurs
- Making connections with key people
- Finding new markets
- Regulatory assistance

The recently-legislated Iowa Partnership for Economic Progress (IPEP) establishes a public-private economic development entity that is comprised of the Iowa EDA and Iowa Innovation Corporation. This new framework goes a long way to further the innovation ecosystem that will ultimately allow Iowa to create an environment where small businesses can thrive and positively impact the overall economy.

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